

Weekly Financial Markets Update

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Rising Gas Prices Push Inflation Higher in August: The U.S. Department of Labor reported last week that the Consumer Price Index (CPI) rose 0.6% in August from the prior month, an acceleration from the 0.3% rate recorded in July. On a year-over-year basis, the CPI increased 3.7% in August, also faster than the 3.2% pace exhibited in July. The largest factor contributing to the higher rates in August was the price of gasoline; energy prices overall rose 5.6% from July, while gasoline itself jumped 10.6%. The core CPI, which excludes volatile food and energy items, rose by a more modest 0.3% in August versus July, or 4.3% on an annual basis, down from 4.7% in July.

Retail Sales Advance in August: Sales at U.S. retail and food service establishments in August rose 0.6% versus the prior month and 2.5% from the prior year, the U.S. Department of Commerce reported last week. This was the fifth consecutive monthly sales advance, though the previously reported rate of growth in July was revised down from 0.7% to 0.5%. The reported rise in August was keyed by surging gasoline prices, evidenced by the fact that overall retail sales excluding autos and gasoline increased just 0.2%, down from a rate of 0.7% in July. During August, consumers pulled back from discretionary spending, with furniture and home goods seeing a 1.0% decline from the prior month.

ECB Hikes Interest Rates Again: The European Central Bank (ECB) last week raised its key policy interest rate for the 10th consecutive time since mid-2022 in

an on-going bid to tame inflation in the Eurozone. The quarter-percentage point increase brings the deposit facility rate — which defines the interest banks receive for depositing money with the central bank overnight — to 4.0%, a record high. The decision came despite an updated ECB forecast that Eurozone economic growth will slow more than previously expected through 2024, with bank officials also expecting that inflation will remain above the bank's 2% target through the same period.

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